

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION COMMISSION

APPLICATION OF TITUS OIL & GAS PRODUCTION, LLC
FOR APPROVAL OF PRODUCTION ALLOCATION,
LEA COUNTY, NEW MEXICO

Case No. 21872

PEGASUS'S RESPONSE TO PREHEARING STATEMENTS OF THE OIL
CONSERVATION DIVISION AND THE NEW MEXICO STATE LAND OFFICE

PEGASUS RESOURCES, LLC, FORTIS MINERALS II, LLC, and SANTA ELENA MINERALS IV, LP (collectively, "*Pegasus*"), file this Response to the Prehearing Statements of (i) the New Mexico Oil Conservation Division's (the "*OCD*") and (ii) Stephanie Garcia Richard, Commissioner of Public Lands of the State of New Mexico, and the New Mexico State Land Office, and in support thereof, would respectfully show the Oil Conservation Commission (the "*Commission*") the following:

Pegasus incorporates herein its Brief in Support of Application of Titus Oil & Gas Production, LLC ("*Titus*"), filed on or about September 2, 2021, a copy of which is attached as Exhibit A, and is incorporated herein for all purposes (the "*Brief*").¹

The OCD has previously approved currently producing wells drilled with a surface location in Texas and producing minerals in New Mexico. Similarly, the OCD has previously approved currently producing wells drilled with a surface location in New Mexico and producing minerals in Texas. These wells present similar issues to those raised by the OCD. And, on information and

¹ Any terms not defined herein shall have the meaning given to such term in the Brief.

belief, the OCD lacks any Memorandum of Understanding (“*MOU*”) with the Railroad Commission of Texas (“*RRC*”) addressing any of those aspects for any of those currently producing “interstate wells.” To date, the OCD has failed to provide any evidence of jurisdictional disputes involving these “interstate wells.” We expect the same result here.²

If it is deemed necessary to obtain a MOU between the OCD and RRC, then the Commission should approve this Application conditioned on the OCD entering into a MOU allowing for an oil and/or gas well to be drilled with a drill site located in New Mexico and a horizontal wellbore drilled and completed in both New Mexico and Texas.

The argument that it would not be appropriate or prudent to approve the Application based on such a condition is a red herring. Each day the OCD approves oil and gas drilling permits with conditions. For example, each oil and gas drilling permit is conditioned on the requirement that the operator drill the well in accordance with the rules and regulations of the OCD. OCD may also include other conditions when it deems they are appropriate. Approving the Application conditioned on a MOU, if the Commission determines one is necessary, would not be unusual and does not create bad precedent.

It is unclear why the OCD is opposing the Application, when its paramount duty is to prevent waste and protect correlative rights.³ Many months have elapsed since this issue first arose, and further delay will only harm correlative rights and result in waste. If the Commission

² It is undisputed by all parties that this Application prevents waste and protects correlative rights. Whether not producing from the last 100' from the New Mexico-Texas border, or the potential that Titus will drill only half of the wells planned for the Drilling Program, refusing to grant this Application will cause waste and harm correlative rights.

³ See, e.g., NMSA 1978, § 70-2-11 (“The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided.”).

determines a MOU is necessary, it should establish a deadline for the OCD to expeditiously work with the RRC to develop one.⁴

CONCLUSION AND PRAYER

Pegasus requests the Commission (i) grant the Application, (ii) require the OCD to enter into a MOU with the RRC, if it deems one is necessary, and (iii) award or grant such other relief as Titus and/or Pegasus may request from the Commission and are justly entitled.

Respectfully submitted,

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ATTORNEYS FOR PEGASUS

⁴ Pegasus also questions the OCD’s argument that a MOU would constitute a joint powers agreement involving the Secretary of the Department of Finance and Administration. Neither the OCD nor the RRC have asserted any exercise of power in the other state. Rather, any memorandum of understanding appears to be an “Agreement[] Documenting Mutual Understandings.” See Memorandum of Katherine B. Miller, Cabinet Secretary, Department of Finance and Administration, dated Nov. 9, 2007, available at https://www.nmdfa.state.nm.us/wp-content/uploads/2020/12/Joint_Powers_Agreement_Policy_and_Procedures.pdf.

CERTIFICATE OF SERVICE

I certify that on this 24th day of September, 2021, a true and correct copy of the foregoing was delivered via electronic mail:

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Exhibit A

The Brief

{attached}

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF TITUS OIL & GAS PRODUCTION, LLC
FOR APPROVAL OF PRODUCTION ALLOCATION,
LEA COUNTY, NEW MEXICO**

Case No. 21872

BRIEF IN SUPPORT OF APPLICATION OF TITUS OIL & GAS PRODUCTION, LLC

PEGASUS RESOURCES, LLC, FORTIS MINERALS II, LLC, and SANTA ELENA MINERALS IV, LP (collectively, “*Pegasus*”), file this Brief in Support of Application of Titus Oil & Gas Production, LLC (“*Titus*”) for Approval of Production Allocation, Lea County, New Mexico (“*Application*”), and in support thereof, would respectfully show the New Mexico Oil Conservation Division (the “*OCD*”) the following:

I. INTEREST OF PEGASUS

Pegasus supports Titus’s Application for an Order approving the production allocation for the El Campeon Fed Com 404H well, to be located in Lea County, New Mexico and Loving County, Texas (the “*Subject Well*”).¹ Pegasus and its affiliated entities own 181 net royalty acres in the New Mexico portion of Titus’s proposed Drilling Program Area (defined below) and 434

¹ The Subject Well will be producing from the Wolfcamp Formation (WC-025 G-09 S263619C; Wolfcamp [9982340] / Phantom; Wolfcamp [Texas Field No. 71052900]), from a standard 280 acre horizontal spacing and proration unit comprised of the E/2 E/2 of Section 29 and the NE/4 NE/4 & Lot 1 of irregular Section 32, Township 26 South, Range 35 East, NMPM, in Lea County, New Mexico, and Lot 1 of irregular Section 25, Block C24, in Loving County, Texas. See Application.

net royalty acres across the entirety of the proposed Drilling Program Area when including its Texas holdings.²

Pegasus understands that the Application is limited to the Subject Well and its proposed allocation unit. Pegasus does not hold any mineral or royalty interests in the New Mexico portion of that allocation unit. Pegasus and its affiliates do, however, own significant mineral and royalty interests in the Texas portion of the proposed unit that will be adversely affected by the desertion of those mineral and royalty interests, which can only be economically developed if the Application is approved. More importantly, the Subject Well is the first of a proposed multi-well Drilling Program (defined below) in which Pegasus owns substantial New Mexico mineral and royalty interests that will be fully and commercially developed if the Application is approved.³

Absent the OCD's approval of the Application, Pegasus (and other similarly situated royalty owners, including the State of New Mexico and the Bureau of Land Management ("*BLM*")⁴) will be denied substantial oil and gas royalties.

II. THE APPLICATION

The Subject Well is unique because its drill site will be located in Lea County, New Mexico, but the horizontal wellbore will be drilled and completed in both New Mexico and Texas. Specifically, the completed horizontal wellbore will run North to South with take points

² Pegasus and its affiliated entities collectively own over 27,013 net royalty acres across the State of New Mexico. See Exhibit A, at ¶ 3 (Declaration of George M. Young, Jr.).

³ As noted by Titus, if the OCD does not approve the Application and the proposed Drilling Program to authorize drilling and completion across the state line into Section 25 - TX, Titus must necessarily drill fewer wells, as the economics only support the drilling and completion of approximately 14 New Mexico-only short lateral wells. This 50% reduction in development will undoubtedly result in waste, as recoverable hydrocarbons will be stranded. See Exhibit B, e.g., at 35:15–25, 45:11–25, 46:1–22 (Transcript from NM Hearing (excerpts only)).

⁴ See *id.* at 12:11–19.

in Sections 29 and 32, T-26-S, R-35-E, Lea County, New Mexico (“**Sections 29 and 32 - NM**”) as well as Section 25, Block C24, Loving County, Texas (“**Section 25 - TX**”).⁵

The Railroad Commission of Texas (the “**RRC**”) recently approved a permit for the portion of the Subject Well traversing Section 25 - TX pursuant to that Final Order dated August 25, 2021.⁶ With this Final Order of the RRC, the OCD is the primary remaining regulatory approval needed for drilling and completing the Subject Well.⁷

A hearing on the merits of the Application was held on June 17, 2021, before Legal Examiner William Brancard and Technical Examiner Leonard Lowe (the “**NM Hearing**”).⁸ Mr. Eric Ames represented the OCD at the NM Hearing. Other than noting the need for a memorandum of understanding between the OCD and the RRC concerning the unique nature of the Subject Well (“**MOU**”), the OCD did not express any fundamental objections to issuance of the Application.⁹ Pegasus therefore believes that the Application is ripe for approval.

III. ARGUMENT AND AUTHORITIES

A. Summary of Argument.

Pegasus is uniquely positioned as a royalty owner in both the New Mexico and Texas portions of Titus’s planned drilling program consisting of over 20 proposed wells (the “**Drilling Program**”), all of which would be drilled from a surface location in New Mexico and developed from horizontal wellbores drilled and completed in Sections 29 and 32 - NM or Sections 30 and

⁵ See Exhibit C (Plat).

⁶ See Exhibit D (Final Order of RRC).

⁷ See generally Titus’s Second Status Report and Request for Order of Approval (the “**Status Report**”).

⁸ The Examiners left the record open for further evidence. See Exhibit B, at 72:10–13 (Transcript from NM Hearing (excerpts only)).

⁹ See *id.* at 63:16–25, 64:1–15, 64:16–17 (“[A]t this point in time[,] OCD believes that an MOU will be required in order to move forward.”).

31, T-26-S, R-35-E, Lea County, New Mexico, and Section 25 - TX (the “*Drilling Program Area*”).¹⁰ The attached declaration of George M. Young, Jr. and uncontroverted testimony from the NM Hearing reveal the economic impact of this Application on royalty owners like Pegasus and the State of New Mexico. For each well that Titus drills and completes as part of the Drilling Program, Pegasus estimates that: (i) it will receive over \$1 million per well on average by virtue of its mineral and royalty ownership in the Drilling Program Area and (ii) it is believed the State of New Mexico will receive approximately \$1 million per well on average by virtue of its ownership of 442.5 net royalty acres in the Drilling Program Area.¹¹

While this is arguably new ground for the OCD¹² and would require redundant filings by Titus in both New Mexico and Texas and coordination between the OCD and the RRC,¹³ the administrative legwork pales in comparison to the certain loss of millions of dollars of royalties to Pegasus, the State of New Mexico, the BLM, and other similarly situated royalty owners if the OCD denies the Application. The OCD’s duty to prevent waste and protect correlative rights is therefore at the core of the Application.¹⁴

¹⁰ See Exhibit A, at ¶¶ 3–6 (Declaration of George M. Young, Jr.).

¹¹ See *id.* at ¶ 7 (noting this is averaged across all wells in the Drilling Program despite Pegasus and its affiliates or State of New Mexico not owning any royalty acres under certain parts of the Drilling Program Area).

¹² The matter of drilling and completing across state lines is not new in oil and gas production in the United States, as it appears the matter has previously occurred in West Virginia and Pennsylvania. See Exhibit B, at 21:2–18, 38:8–25, 39:1–25, and 40:1–19 (Transcript from NM Hearing (excerpts only)).

¹³ It is apparent that the RRC stands ready to draft and execute an MOU based on the RRC’s swift issuance of a Final Order.

¹⁴ N.M. STAT. ANN. § 70-2-11 (“The division is hereby empowered, and it is its duty, to prevent waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the division is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purpose of this act, whether or not indicated or specified in any section hereof.”).

B. All of the Working Interest Owners are in Agreement as to the Development of the Subject Well.

Titus owns 100% of the leasehold underlying the wellbore of the Subject Well within the State of New Mexico (*i.e.*, Sections 29 and 32 - NM), and Oxy USA, Inc. (“**Oxy**”) owns 100% of the leasehold underlying the wellbore of the Subject Well within the State of Texas (*i.e.*, Section 25 - TX).¹⁵ Titus and Oxy have entered into a Joint Operating Agreement dated July 8, 2021 (“**JOA**”) covering the development of the Subject Well and the allocation of ownership and expenses related thereto.¹⁶

C. The Potential Loss to Royalty Owners is Significant.

Without approval of the Application, royalty owners like Pegasus and the State of New Mexico stand to lose millions in oil and gas royalties.¹⁷ Titus has testified that without approval of the Application, it may drill only half of the wells planned for the Drilling Program.¹⁸ As Titus stated at the NM Hearing:

So instead of us having to stop our perforations For [sic] our completion process, as it currently stands we would have to leave the last 100 feet of the wellbore uncompleted to stay away from -- or to observe the necessary setback per the OCD rules, so we would have to stop our lateral 100 feet from the state line, which that is State of New Mexico minerals. So that would be 100 feet of uncompleted minerals. So by way of extending the laterals, drilling across the state line, we are then able to perforate and complete and produce that additional 100 feet of state minerals.¹⁹

¹⁵ See Exhibit B, at 9:23–25, 10:1–5 (Transcript from NM Hearing (excerpts only)).

¹⁶ Pegasus understands Titus filed a copy of the executed JOA with the OCD as Supplemental Exhibit A-9 on July 9, 2021, and by email to the hearings examiner and division counsel.

¹⁷ See Exhibit A, at ¶¶ 7–9 (Declaration of George M. Young, Jr.); see also Exhibit B, at, *e.g.*, 20:20–25, 33:7–12 (Transcript from NM Hearing (excerpts only)).

¹⁸ See, *e.g.*, Exhibit B, at 27:3–7 (“Furthermore, Titus’s lease is such that longer laterals, because this is the deepest, highest-pressure part of the Delaware Basin, will increase and enhance economics, allowing for proper development and more reserve recovery.”), 27:20–24, 28:17–25, 29:1–5, 30:15–24, 35:15–25, 45:11–25, 46:1–22 (Transcript from NM Hearing (excerpts only)).

¹⁹ See *id.* at 34:13–24.

A New Mexico-only Drilling Program would necessarily result in waste and harm correlative rights, as oil and gas would be left unproduced in the Drilling Program Area, due to less wells and shorter laterals.²⁰ This in turn would result in the loss of millions of dollars to royalty owners like Pegasus and the State of New Mexico.²¹ By way of example, if Titus were to only drill 14 New Mexico wells as part of the Drilling Program due to denial of the Application, as Titus testified to at the NM Hearing, Pegasus alone would lose over \$5.6 million in royalty revenue.²²

D. All of the Hurdles to Permitting the Subject Well Will Be Borne by Titus Alone.

All of the additional regulatory hurdles associated with the Drilling Program will be borne entirely by Titus. Titus is a registered operator in both New Mexico (Operator No. 373986) and Texas (Operator No. 880622). Thus, Titus maintains bonds required by both the OCD and the RRC. Pegasus understands that Titus will permit two API numbers for reporting purposes of the Subject Well, which allows Titus to report production allocables (for purposes of taxes and royalties) to both the New Mexico portion and the Texas portion of the Subject Well.²³ All of these additional regulatory burdens fall on Titus, not the OCD or the RRC.

E. No New Environmental Hazards Arise from Granting the Application.

No new environmental hazards arise from granting the Application. It is uncontested that the OCD already issued drilling permits to Titus solely for drilling and completing oil and gas

²⁰ See *id.*

²¹ See Exhibit A, at ¶¶ 7–9 (Declaration of George M. Young, Jr.).

²² See *id.* at ¶¶ 8–9. Pegasus stands to receive \$11.2 million in royalties for the New Mexico portion of the multi-well Drilling Program if the Application is granted. If Titus were to only drill 14 New Mexico only wells if the Application is denied, Pegasus would only receive \$5.6 million in royalties.

²³ See Exhibit B, at 18:6–18 (Transcript from NM Hearing (excerpts only)).

wells in New Mexico only.²⁴ Upon the OCD granting the Application, Pegasus understands those permits would be amended to simply extend the subsurface reach of each well to the border of New Mexico and into Texas.²⁵ The Application (and the proposed Drilling Program) promotes responsible drilling and reduces environmental impact by allowing the most efficient use of pad sites to achieve the greatest amount of production.²⁶

F. The Administrative Challenges to Issuance of the Permit are Worthwhile to Avoid Eliminating Half of the Proposed Wells in the Drilling Program.

While Pegasus recognizes the uncharted waters that the Application presents, the benefit to all interested parties resulting from the OCD's approval of the Application is worth the required time and effort. The State of New Mexico stands to benefit through increased oil and gas royalties and tax collection.²⁷ New Mexico property owners (including private royalty owners) stand to benefit through increased income. And, the OCD stands to benefit by fulfilling its duties to prevent waste and protect correlative rights.²⁸ These enormous upsides are worth any increased administrative and regulatory hurdles. Furthermore, the MOU would appear to address the vast majority of those administrative and regulatory matters on the front end, resulting in minimal burden to the OCD with each successive application in the Drilling Program.

²⁴ See *id.* at 19:1–6.

²⁵ See Exhibit A, at ¶ 5 (Declaration of George M. Young, Jr.).

²⁶ Approving the Application reduces the environmental impact of the Drilling Program in New Mexico. Titus will be able to reduce the amount of wells and pads needed to fully develop the lands covered by the Drilling Program. See Exhibit B, at 20:13–19 (Transcript from NM Hearing (excerpts only)). New Mexico benefits both directly and indirectly from this reduction.

²⁷ See *id.* at 20:20–25, 33:7–12.

²⁸ See N.M. STAT. ANN. § 70-2-11.

G. Time is of the Essence.

Pegasus understands that Titus has an upcoming rig and lease deadline to begin drilling the Subject Well. It is important that the OCD approve the Application and negotiate the MOU with the RRC in a timely manner to allow Titus to maximize the benefit of the issuance of the Application by batch drilling its Drilling Program Area rather than developing it in a piecemeal fashion.²⁹ This is a win for all parties—more wells will be drilled due to the resulting economies of scale and environmental impacts will be reduced.

Obviously, long lateral wells are more economical for an operator to drill and complete than short lateral wells, and as a result, an operator will generally drill more wells in a project if it can drill those wells as long lateral wells.³⁰ Titus drilling only half of its Drilling Program as short lateral wells would be disastrous for all parties involved, especially royalty owners like Pegasus and the State of New Mexico. Pegasus therefore urges the OCD to act swiftly to ensure the OCD does not cause waste or impair correlative rights.

IV. CONCLUSION AND PRAYER

Pegasus requests the OCD (i) grant the Application, (ii) enter into an MOU with the RRC, as necessary, and (iii) award or grant such other relief as Titus and/or Pegasus may request from the OCD, at law or in equity, to which Titus and/or Pegasus is justly entitled.

{signature page to follow}

²⁹ It is Pegasus's understanding that the OCD and RRC were to coordinate preparation of the MOU directly and without the involvement of Titus. By its grant of the Final Order, it appears that the RRC is ready and willing to negotiate the MOU. Because (i) Pegasus is not privy to the communications between the RRC and OCD and (ii) there is no mention of the current status of the MOU in Titus's Status Report due to its lack of involvement in the MOU process, Pegasus is not aware of the status of the MOU, including its contents, as of the filing of this Brief.

³⁰ See, e.g., Exhibit B, at 27:3–7 (“Furthermore, Titus’s lease is such that longer laterals, because this is the deepest, highest-pressure part of the Delaware Basin, will increase and enhance economics, allowing for proper development and more reserve recovery.”), 27:20–24, 28:17–25, 29:1–5, 30:15–24, 35:15–25, 45:11–25, 46:1–22 (Transcript from NM Hearing (excerpts only)).

Respectfully submitted,

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CERTIFICATE OF SERVICE

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EXHIBIT A

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

APPLICATION OF TITUS OIL & GAS PRODUCTION, LLC
FOR APPROVAL OF PRODUCTION ALLOCATION,
LEA COUNTY, NEW MEXICO

Case No. 21872

DECLARATION OF GEORGE M. YOUNG, JR.

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

1. My name is George M. Young, Jr. I am over the age of twenty-one (21) and have never been convicted of a felony. I am of sound mind, fully qualified to make this declaration, and competent to testify as to the facts stated herein. I understand I am making this declaration under the penalty of perjury under the laws of the State of New Mexico. The facts stated herein are within my personal knowledge and are true and correct.

2. I am the Chief Executive Officer of Pegasus Resources, LLC, which serves as manager of Fortis Minerals II, LLC and Santa Elena Minerals IV, LP (collectively, "**Pegasus**"). I have been in the oil and gas business for more than 35 years. I have managed numerous oil and gas companies owning and operating oil and gas interests in New Mexico and Texas. I am a member of the All American Wildcatters and Fort Worth Wildcatters and serve on the Board of Advisors for the TCU Energy Institute.

3. Pegasus and its affiliates collectively own over 27,013 net royalty acres across the State of New Mexico.

4. I have reviewed the above-referenced application (the "**Application**") applied for by Titus Oil & Gas Production, LLC ("**Titus**") for an order approving the production allocation for the El Campeon Fed Com 404H Well, to be located in Lea County, New Mexico and Loving County, Texas (the "**Subject Well**"). Based on my experience and understanding of the Application, the New Mexico Oil Conservation Division (the "**OCD**") should approve the Application to prevent waste and protect correlative rights.

5. I have reviewed the multi-well drilling program proposed by Titus covering the pertinent portions of Lea County, New Mexico and Loving County, Texas (the "**Drilling Program**"), a depiction of which is attached to this declaration as Schedule I (the "**Drilling Program Area**"). I understand that Titus has existing permits for oil and gas wells in the Drilling Program Area to be drilled and completed solely in New Mexico, but upon the OCD granting this Application, Titus will amend those permits to simply extend the subsurface reach of each well to the border of New Mexico and into Texas.

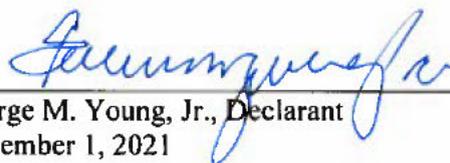
6. Pegasus and its affiliates, collectively, own approximately 181 net royalty acres in the New Mexico portion of Drilling Program Area and approximately 253 net royalty acres in the Texas portion of the Drilling Program Area.

7. Pegasus stands to gain over \$1 million per well on average by virtue of its mineral and royalty ownership in the Drilling Program Area, as supported by the Economic Summary Projections attached to this declaration as Schedule II (New Mexico portion) and III (Texas portion).

8. Pegasus stands to receive \$11.2 million in royalties for the portions of the wellbores drilled and completed in the New Mexico portion of the Drilling Program Area and \$19.6 million in royalties for the portions of the wellbores drilled and completed in the Texas portion of the Drilling Program Area.

9. I understand that if the OCD does not grant the Application, Titus may drill only half the wells in the New Mexico portion of the Drilling Program Area. In such event, Pegasus would lose over \$5.6 million in royalty revenue for the New Mexico portion of the Drilling Program Area, plus the lost royalty revenue for the Texas portion of the Drilling Program Area.

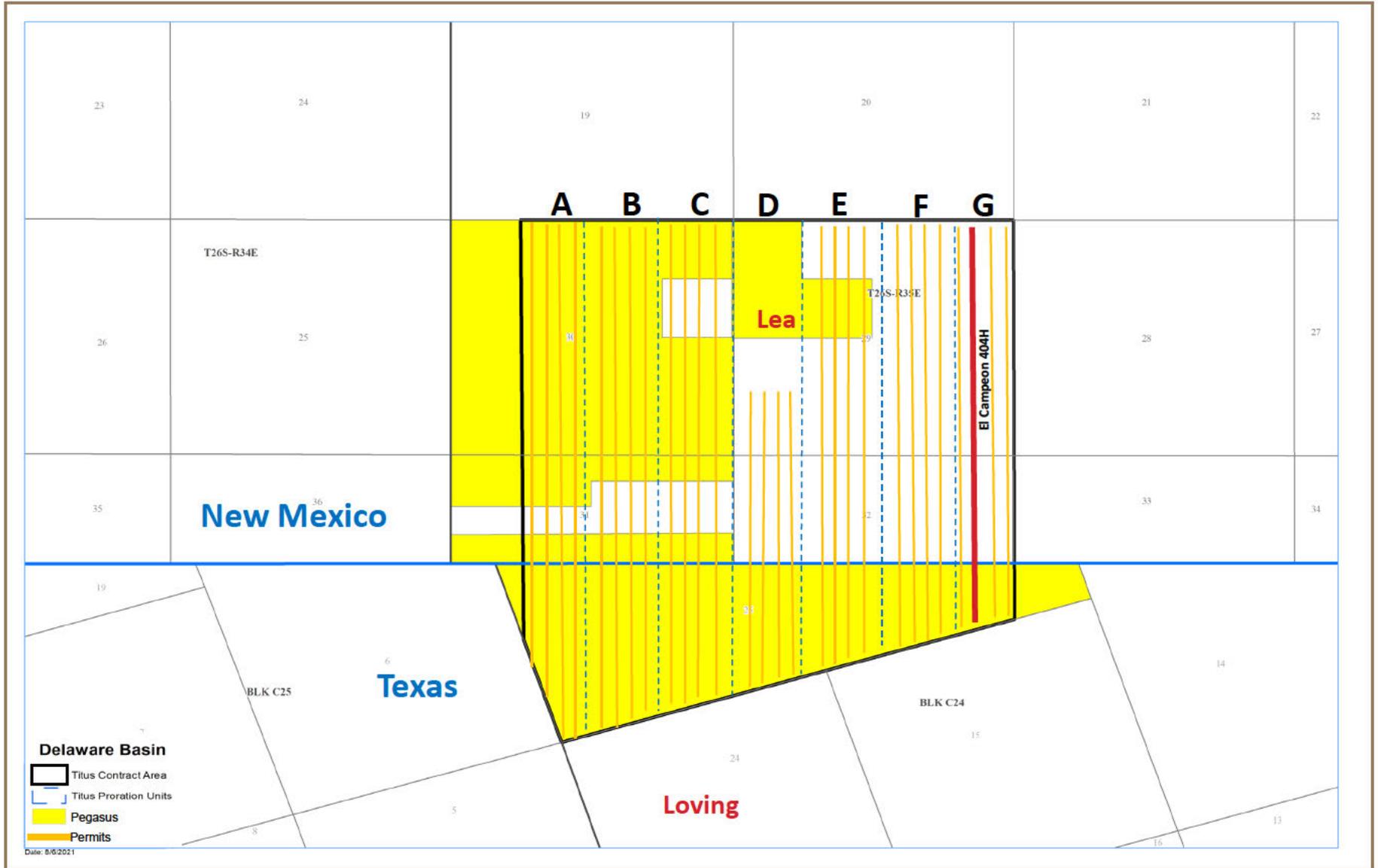
10. I urge the OCD to act swiftly by approving the Application to prevent waste and protect correlative rights.



George M. Young, Jr., Declarant
September 1, 2021

SCHEDULE I

Titus - State Line Development Plan



SCHEDULE II

Date : 08/27/2021 10:06:00AM
 Partner : All Cases

ECONOMIC SUMMARY PROJECTION

Total

C&Y Deals
 Custom Selection
 Discount Rate : 10.00
 As of : 08/01/2021

Est. Cum Oil (Mbbbl) : 0.00
 Est. Cum Gas (MMcf) : 0.00
 Est. Cum Water (Mbbbl) : 0.00

Year	Oil Gross (Mbbbl)	Gas Gross (MMcf)	Oil Net (Mbbbl)	Gas Net (MMcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil & Gas Rev. Net (M\$)	Misc. Rev. Net (M\$)	Costs Net (M\$)	Taxes Net (M\$)	Invest. Net (M\$)	NonDisc. CF Annual (M\$)	Cum Disc. CF (M\$)	
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2022	7,082.38	11,767.16	53.91	89.56	62.30	3.50	3,671.75	0.00	0.00	446.58	0.00	3,225.17	2,974.96	
2023	3,012.85	5,940.94	22.93	45.22	57.30	3.00	1,449.61	0.00	0.00	176.41	0.00	1,273.20	4,031.58	
2024	1,992.29	4,086.68	15.16	31.10	52.30	3.00	886.37	0.00	0.00	107.96	0.00	778.42	4,615.42	
2025	1,497.99	3,129.46	11.40	23.82	52.30	3.00	667.75	0.00	0.00	81.34	0.00	586.41	5,013.25	
2026	1,209.08	2,552.84	9.20	19.43	52.30	3.00	539.58	0.00	0.00	65.73	0.00	473.85	5,304.15	
2027	1,016.97	2,162.21	7.74	16.46	52.30	3.00	454.19	0.00	0.00	55.33	0.00	398.86	5,525.75	
2028	881.79	1,884.05	6.71	14.34	52.30	3.00	394.03	0.00	0.00	48.00	0.00	346.02	5,699.73	
2029	775.86	1,663.80	5.91	12.66	52.30	3.00	346.83	0.00	0.00	42.25	0.00	304.58	5,838.33	
2030	695.12	1,494.90	5.29	11.38	52.30	3.00	310.84	0.00	0.00	37.87	0.00	272.97	5,950.76	
2031	630.24	1,358.42	4.80	10.34	52.30	3.00	281.89	0.00	0.00	34.34	0.00	247.55	6,043.06	
2032	578.41	1,249.01	4.40	9.51	52.30	3.00	258.76	0.00	0.00	31.53	0.00	227.24	6,119.74	
2033	532.11	1,150.81	4.05	8.76	52.30	3.00	238.09	0.00	0.00	29.01	0.00	209.08	6,183.60	
2034	494.16	1,070.11	3.76	8.14	52.30	3.00	221.14	0.00	0.00	26.94	0.00	194.20	6,237.30	
2035	461.48	1,000.45	3.51	7.61	52.30	3.00	206.54	0.00	0.00	25.17	0.00	181.38	6,282.69	
Rem.	6,421.90	13,932.84	48.88	106.04	52.30	3.00	2,874.46	0.00	0.00	350.23	0.00	2,524.23	257.94	
Total	50.0	27,282.66	54,443.69	207.65	414.38	55.45	3.11	12,801.85	0.00	0.00	1,558.69	0.00	11,243.16	6,540.63
Ult.	27,282.66	54,443.69												

Eco. Indicators

Return on Investment (disc) :	0.000	Present Worth Profile (M\$)	
Return on Investment (undisc) :	0.000	PW 0.00% :	11,243.16
Years to Payout :	0.00	PW 5.00% :	8,048.39
Internal Rate of Return (%) :	0.00	PW 8.00% :	7,041.13
		PW 9.00% :	6,777.86
		PW 10.00% :	6,540.63
		PW 12.00% :	6,128.45
		PW 15.00% :	5,625.11
		PW 20.00% :	4,984.58
		PW 25.00% :	4,497.97
		PW 30.00% :	4,108.66

SCHEDULE III

Date : 08/06/2021 11:07:02AM
 Partner : All Cases

ECONOMIC SUMMARY PROJECTION

Total

C&Y Deals
 Custom Selection
 Discount Rate : 10.00
 As of : 08/01/2021

Est. Cum Oil (Mbbbl) : 0.00
 Est. Cum Gas (MMcf) : 0.00
 Est. Cum Water (Mbbbl) : 0.00

Year	Oil Gross (Mbbbl)	Gas Gross (MMcf)	Oil Net (Mbbbl)	Gas Net (MMcf)	Oil Price (\$/bbl)	Gas Price (\$/Mcf)	Oil & Gas Rev. Net (M\$)	Misc. Rev. Net (M\$)	Costs Net (M\$)	Taxes Net (M\$)	Invest. Net (M\$)	NonDisc. CF Annual (M\$)	Cum Disc. CF (M\$)	
2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2022	7,082.38	11,767.16	89.30	148.38	62.30	3.50	6,082.97	0.00	0.00	447.78	0.00	5,635.19	5,198.02	
2023	3,012.85	5,940.94	37.99	74.91	57.30	3.00	2,401.56	0.00	0.00	177.39	0.00	2,224.17	7,043.86	
2024	1,992.29	4,086.68	25.12	51.53	52.30	3.00	1,468.45	0.00	0.00	108.98	0.00	1,359.46	8,063.50	
2025	1,497.99	3,129.46	18.89	39.46	52.30	3.00	1,106.26	0.00	0.00	82.16	0.00	1,024.10	8,758.26	
2026	1,209.08	2,552.84	15.25	32.19	52.30	3.00	893.92	0.00	0.00	66.42	0.00	827.51	9,266.27	
2027	1,016.97	2,162.21	12.82	27.26	52.30	3.00	752.45	0.00	0.00	55.92	0.00	696.53	9,653.26	
2028	881.79	1,884.05	11.12	23.76	52.30	3.00	652.78	0.00	0.00	48.52	0.00	604.26	9,957.08	
2029	775.86	1,663.80	9.78	20.98	52.30	3.00	574.59	0.00	0.00	42.72	0.00	531.88	10,199.11	
2030	695.12	1,494.90	8.77	18.85	52.30	3.00	514.96	0.00	0.00	38.29	0.00	476.68	10,395.45	
2031	630.24	1,358.42	7.95	17.13	52.30	3.00	467.01	0.00	0.00	34.72	0.00	432.28	10,556.62	
2032	578.41	1,249.01	7.29	15.75	52.30	3.00	428.69	0.00	0.00	31.88	0.00	396.81	10,690.53	
2033	532.11	1,150.81	6.71	14.51	52.30	3.00	394.45	0.00	0.00	29.33	0.00	365.11	10,802.05	
2034	494.16	1,070.11	6.23	13.49	52.30	3.00	366.36	0.00	0.00	27.25	0.00	339.12	10,895.81	
2035	461.48	1,000.45	5.82	12.62	52.30	3.00	342.18	0.00	0.00	25.45	0.00	316.73	10,975.08	
Rem.	6,421.90	13,932.84	80.98	175.68	52.30	3.00	4,762.09	0.00	0.00	354.17	0.00	4,407.92	450.42	
Total	50.0	27,282.66	54,443.69	344.02	686.50	55.45	3.11	21,208.73	0.00	0.00	1,570.97	0.00	19,637.76	11,425.51
Ult.	27,282.66	54,443.69												

Eco. Indicators

Return on Investment (disc) :	0.000	Present Worth Profile (M\$)	
Return on Investment (undisc) :	0.000	PW 0.00% :	19,637.76
Years to Payout :	0.00	PW 5.00% :	14,058.65
Internal Rate of Return (%) :	0.00	PW 8.00% :	12,299.59
		PW 9.00% :	11,839.82
		PW 10.00% :	11,425.51
		PW 12.00% :	10,705.66
		PW 15.00% :	9,826.58
		PW 20.00% :	8,707.86
		PW 25.00% :	7,857.95
		PW 30.00% :	7,177.95

EXHIBIT B

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTTTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Application of Titus Oil & Gas
Production, LLC for approval of
Production Allocation,
Lea County, New Mexico

Case No. 21872

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JUNE 17, 2021

This matter came on for hearing before the
New Mexico Oil Conservation Division, Legal
Examiner William Brancard, Technical Examiner
Leonard Lowe, on Thursday, June 17, 2021, via
the Webex virtual Conferencing platform.

Reported by: Mary Therese Macfarlane
New Mexico CCR No. 122
PAUL BACA COURT REPORTERS
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18 C O N T E N T S

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20	CASE CALLED:	5
21	STATEMENT BY MR. AMES:	63, 68, 75
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2 OXY USA INC., WITNESSES: PAGE

3 WALTER P. JONES

4 DIRECT EXAMINATION BY MS. SHAHEEN: 8

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5 CROSS-EXAMINATION BY MR. AMES: 31

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7

MARSHALL HICKEY

8

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10 CROSS-EXAMINATION BY EXAMINER GARCIA: 29

REDIRECT EXAMINATION BY MS. SHAHEEN: 30

11

ALLEN FRIERSON

12

DIRECT EXAMINATION BY MS. SHAHEEN: 52

13 QUALIFIED AS AN EXPERT: 52

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1 I N D E X of E X H I B I T S

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3 A Affidavit of Walter Jones 58

4 A-1 General Location Map 58

5 A-2 Map of tracts and ownership 58

6 A-3 Breakdown of working interest ownership 58

7 A-4 Chronology of Contacts 58

8 A-5 C-102 58

9 A-6 Notice Letter 58

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11 A-8 Transcript of Railroad Comm. hearing 58

12 B Affidavit of Allen Frierson 58

13 B-1 Geological Summary 58

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15 B-3 Spacing Unit Schematic 58

16 B-4 Structure Map 58

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18 B-6 Stratigraphic Cross Section 58

19 B-7 Gunbarrel Diagram 58

20 C Affidavit of Marshall Hickey 58

21 D Affidavit of Notice 58

22
23
24
25

1 Q. Turning to your affidavit at page 2, paragraph
2 5, could you describe for the Division the proposal that
3 Titus has made in this application.

4 A. Yes. Titus is proposing the drilling of a
5 Wolfcamp Well, the El Campeon Fed Com 404H with a surface
6 location in Southern Lea County, particularly the surface
7 location will be 558 feet from the --

8 (Note: Sound freeze.)

9 EXAMINER BRANCARD: You froze there for a
10 second, so if you could start with that description of the
11 location again.

12 A. Yes. Sorry.

13 So our surface location will be in
14 Section 20 of 26 South, 35 East, and drilling south with
15 an anticipated proration unit being the east half of the
16 east half of Section 29, and the northeast of the
17 northeast in Lot 1 of the Irregular Section 32 in 26
18 South, 35 East, and the horizontal portion of the well
19 continuing into -- across the state line, the New
20 Mexico/Texas state line, and having a bottomhole located
21 in Lot 1 of the Irregular Section 25, Block C24 of Loving
22 County, Texas.

23 Q. And Titus is the sole working interest owner in
24 the New Mexico portion of this proposed spacing unit; is
25 that correct?

1 A. That's correct.

2 Q. And on the Texas side who is the owner of those
3 minerals?

4 A. OXY or Occidental Petroleum owns 100 percent of
5 the working interests.

6 Q. And have they taken a position on this proposal?

7 A. At this point they are not opposed, and we are
8 near execution of a JOA that will govern this proration
9 unit and the drilling of this well.

10 Q. And they received Notice of this hearing today,
11 correct?

12 A. They did.

13 Q. And they didn't enter an appearance to protest
14 the application; is that correct?

15 A. That's correct.

16 Q. And they are aware of the proceeding in Texas as
17 well; is that correct?

18 A. Yes, that's correct.

19 Q. They attended that hearing, did they not?

20 A. They did.

21 Q. Is this proposed spacing unit a standard spacing
22 unit under New Mexico rules?

23 A. Yes, I believe it is.

24 Q. And that's because it consists of contiguous
25 40-acre tracts, each of which is penetrated by the

1 map showing where it is in real estate to both New Mexico
2 and Texas, and in particular the township it is located
3 in.

4 Q. Thank you. And turning to your exhibit A-2, can
5 you please describe what we find there.

6 A. These are the three tracts that will make up the
7 proposed proration unit. Tract 1, it just reflects that
8 Titus Oil & Gas owns 100 percent of both Tract 1 and Tract
9 2, the working interest; and OXY USA owns 100 percent of
10 the working interest of Tract 3.

11 Q. And turning to Exhibit A-3, I believe this shows
12 us the leases that are in question.

13 A. That's correct. That's correct. So in the east
14 half of the east half of Section 29, that's a federal
15 lease, BLM Lease No. NMNL12500 of the east half -- or I
16 should say the northeast quarter in Lot 1 of Section 32 is
17 covered by the State of New Mexico VB-2563, and then the
18 portion in Texas is fee minerals that's covered by fee
19 leases.

20 And then where it says Unit Ownership,
21 that's the breakdown of ownership, a blended breakdown of
22 ownership among the entire proration here, working
23 interest ownership.

24 Q. And Exhibit A-4, can you take a look at Exhibit
25 A-4, please.

1 uncommon to see it done on an actual completed
2 lateral-foot basis. So that would really come after the
3 fact, after the well has been drilled and completed. It's
4 a calculation of exactly how many perforations in each
5 individual tract.

6 Q. And with respect to API numbers, what is your
7 understanding of how that would work in each state?

8 A. So our understanding is that each state would
9 have -- the portion of each well, of the well's lateral,
10 would have its own dedicated API. So New Mexico would
11 have an API from the surface location to the state line,
12 and that would be its own New Mexico API; and then
13 starting at the state line to the terminus or the
14 bottomhole, that would have its own Texas API.

15 Q. And all of the requisite information that must
16 be reported to the State would be allocated to each
17 State's API number, right?

18 A. That's correct.

19 Q. And what is Titus' understanding as to authority
20 over regulatory and environmental compliance between the
21 two states?

22 A. Our understanding would be that because the
23 surface location is located in the State of New Mexico,
24 that they would have full oversight and authority in
25 oversight of the well.

1 Q. Does Titus have a drilling permit for this well?

2 A. We have an existing drilling permit that stops
3 at the state line, so there is an approved permit but it
4 does not go across the state line at this point.

5 Q. And that's an approved permit from BLM, correct?

6 A. That's correct.

7 Q. Have you conferred with BLM about extending the
8 length of that lateral into Texas?

9 A. We have spoken to the BLM. They don't foresee
10 that it would be a problem to simply sundry the existing
11 approved permit -- to sundry it to have a bottomhole in
12 Texas.

13 Q. Can you tell us a little bit about your
14 conversations with the State Land Office about this
15 proposal?

16 A. Yes. We've had a few conversations with the
17 State Land Office, the New Mexico State Land Office, and
18 they stand to benefit from -- it makes our project more
19 economically feasible and attractive...

20 EXAMINER BRANCARD: We seem to have lost
21 Mr. Jones.

22 MS. SHAHEEN Should I have him call in by
23 telephone? Would that be acceptable?

24 EXAMINER BRANCARD: Absolutely.

25 MS. SHAHEEN: Okay. Let me --

1 EXAMINER BRANCARD: He's back.

2 MS. SHAHEEN: Okay.

3 THE WITNESS: Sorry about that.

4 MS. SHAHEEN: Well, if it happens again, maybe
5 you could call in by telephone, if that's easier.

6 THE WITNESS: Okay. Yeah. Sure.

7 Sorry. I think I caught when I -- when it
8 dropped, but did you hear? Tell me where to continue.

9 MS. SHAHEEN: Yes. You were talking about your
10 conversations with the State Land Office and how this
11 proposal would be more attractive to the State Land
12 Office, and I believe you were going to tell us why.

13 A. Yeah. There's a couple of advantages. There
14 will be no new additional surface disturbance, meaning you
15 don't have to drill new wells in Texas. This is something
16 that -- just extending laterals enables us to more
17 efficiently develop, and it enables us -- there is going
18 to be less road traffic spread out amongst multiple
19 developments.

20 It also means more royalties for the State
21 of New Mexico.

22 And, you know, I think it's something that
23 because we're not using state surface and we're developing
24 state minerals, it enables us to potentially develop more,
25 just, state minerals; that it's something that they appear

1 to be, or sound to be, or seem to be on board with.

2 Q. You have done a little bit of research recently
3 about other horizontal wells in the nation, in the country
4 that cross state boundaries, have you not?

5 A. Yes, I have. I spoke with a representative at
6 CNX Energy, and they are a Marcellus Shale Company. They
7 have drilled wells with a surface location in Ohio and
8 bottomhole locations in West Virginia, and they did that a
9 few times.

10 I just kind of -- I talked to the landman
11 that oversaw the project and asked kind of what process
12 they went through. His feedback was that I believe
13 they -- just kind of similar to what we've done, they
14 permitted it, in that instance in Ohio, and then provided
15 or made the request to West Virginia to extend the
16 bottomhole into West Virginia. And west Virginia was on
17 board with that and allowed the permits to proceed, and
18 the wells have been drilled and are producing.

19 Q. Going back just for a second to Exhibit A-7,
20 which is the exhibits that were submitted to the Railroad
21 Commission, in determining how production would be
22 allocated I believe you submitted a chart to the Railroad
23 Commission that was a comparison of allocation based on
24 surface acreage and allocation based on completed lateral.
25 It was Exhibit No. 8 for the Railroad Commission.

1 single operator in the area. I'm not aware of any
2 east/west laterals in the entire area.

3 Furthermore, Titus's lease is such that
4 longer laterals, because this is the deepest,
5 highest-pressure part of the Delaware Basin, will increase
6 and enhance economics, allowing for proper development and
7 more reserve recovery.

8 Q. And what is the likelihood of development in
9 that irregular-shaped Section 25 in Texas if these
10 laterals aren't drilled into Texas?

11 A. Very low.

12 Q. And why is that?

13 A. It's due to that stress direction. So fractures
14 cannot propagate in the proper direction and therefore
15 recovery would be very low, the wells would be likely very
16 poor performers, and therefore the wells likely do not get
17 drilled, evidenced by the fact that they have not been
18 drilled to date, and there are no other east/west wells,
19 to my knowledge, in the area.

20 Q. And did you also determine that the proposed
21 development across the state line will result in more
22 recoverable hydrocarbons in New Mexico?

23 A. Yes, ma'am, it will because we can justify the
24 development of additional wells.

25 Q. Do you have any other information that you'd

1 like to share with the Division today?

2 A. No, ma'am, I do not.

3 MS. SHAHEEN: Thank you, Mr. Hickey.

4 I pass the witness.

5 EXAMINER BRANCARD: Thank you.

6 Mr. Ames, any questions of this witness?

7 MR. AMES: One moment. My video is doing
8 something.

9 Thank you, Mr. Examiner. Yes, I do have
10 maybe one or two questions of Mr. Hickey.

11 EXAMINER BRANCARD: You may proceed.

12 MR. AMES: Thank you.

13 CROSS-EXAMINATION

14 BY MR. AMES:

15 Q. Good morning, Mr. Hickey.

16 A. Good morning.

17 Q. You just testified that drilling this well would
18 result in more recoverable hydrocarbons; is that correct?

19 A. That's correct. It is our intention that we
20 would drill additional wells across the state line once we
21 are able to drill this well.

22 Q. So drilling this well would result in more wells
23 recovering more hydrocarbons in Texas; is that correct?

24 A. In both Texas and New Mexico.

25 Q. How would drilling this well into Texas result

1 in more recoverable hydrocarbons in New Mexico?

2 A. Because to the extent we can continue to drill
3 wells from New Mexico into Texas we will be able to
4 economically justify more wells than we otherwise would be
5 able to.

6 MR. AMES: Okay. Thank you.

7 THE WITNESS: You're welcome.

8 MS. SHAHEEN: If I may follow up with one
9 redirect question.

10 EXAMINER BRANCARD: Let me just check and see if
11 Mr. Rankin has any questions.

12 MR. RANKIN: Mr. Hearing Examiner, no questions,
13 as I find my unmute button. No questions.

14 EXAMINER BRANCARD: Thank you.

15 Mr. Garcia, do you have questions?

16 MR. GARCIA: I do.

17 I'm going to ask Mr. Jones --

18 EXAMINER BRANCARD: Mr. Garcia, we can barely
19 hear you, and we can't see you, more importantly.

20 We just see the board room.

21 MR. GARCIA: Is that better now?

22 EXAMINER BRANCARD: Yes.

23 MR. GARCIA: Okay. I changed the microphone.

24 CROSS EXAMINATION

25 BY EXAMINER GARCIA:

1 Q. I was going to ask Mr. Jones, so maybe you can
2 help answer: If OXY doesn't execute the JOA, would those
3 wells still be drilled.

4 A. No.

5 MR. GARCIA: Okay. And then I think that's
6 about it. I didn't have too many questions on
7 engineering.

8 That's all I have.

9 EXAMINER BRANCARD: Thank you.

10 Ms. Shaheen, you had some redirect?

11 MS. SHAHEEN: I just wanted to make one
12 clarification. I'm no engineer, I'll start with that.

13 REDIRECT EXAMINATION

14 BY MS. SHAHEEN:

15 Q. But my understanding is one of reasons there
16 will be more recoverable hydrocarbons in New Mexico is
17 because the completed lateral will go all the way to and
18 across the state line, so it's not going to be 100 feet
19 from the Texas state line, and in that sense there will be
20 more recoverable hydrocarbons in New Mexico because the
21 completed lateral goes all the way to the state line.

22 Is that fair to say?

23 A. Yes, that is correct. I did not intentionally
24 omit that. That is correct.

25 MS. SHAHEEN: Thank you, Mr. Hickey.

1 State Land Office was looking favorably at Titus'
2 proposal. Is that correct?

3 A. That's just my interpretation of it. I can't
4 really speak to exactly, you know, where they are
5 currently, but just judging by feedback, questions, uhm --
6 on a broader project, the scope of this project, in other
7 words future wells, future development, the State of New
8 Mexico and the Trust lands in particular stand to benefit
9 significantly from more economic wells for Titus, and so
10 in that regard I believe that that is something that they
11 would like to have more royalty, more -- you know, for the
12 State of New Mexico.

13 Q. So it's just your feeling, though, because the
14 State Land Office actually hasn't said that to Titus; is
15 that right?

16 A. That's correct.

17 Q. Thank --

18 A. They have not.

19 Q. Thank you. Sorry. I didn't mean to interrupt
20 you.

21 And as I see in paragraph 26 of your
22 testimony it says Titus has conferred with the Land Office
23 but it doesn't say anything in there about what the State
24 Land Office has told Titus regarding its proposal.
25 Correct?

1 A. That's correct.

2 Q. So I believe Ms. Shaheen asked you whether
3 Titus' proposal to drill into Texas made the El Campeon
4 well more feasible and attractive to the State Land
5 Office. And I don't think -- it sounded to me like your
6 answer was it made it more attractive to Titus. Did you
7 actually mean to say that drilling into Texas made the El
8 Campeon well more feasible and attractive to the State
9 Land Office?

10 A. Well, not in exclusion of it being more
11 attractive to Titus.

12 I do believe that just having more treated
13 laterals. So instead of us having to stop our
14 perforations For our completion process, as it currently
15 stands we would have to leave the last 100 feet of the
16 wellbore uncompleted to stay away from -- or to observe
17 the necessary setback per the OCD rules, so we would have
18 to stop our lateral 100 feet from the state line, which
19 that is State of New Mexico minerals. So that would be
20 100 feet of uncompleted minerals.

21 So by way of extending the laterals,
22 drilling across the state line, we are then able to
23 perforate and complete and produce that additional 100
24 feet of state minerals.

25 Q. Okay. So I'd like to talk about this a little

1 bit more, because I'm having a little hard time
2 understanding it.

3 My question is: How does drilling lands in
4 Texas benefit the State of New Mexico?

5 And I think one thing you just offered the
6 extra 100 feet of wellbore, and I believe Mr. Hickey
7 indicated that if Titus was able to drill into Texas for
8 the El Campeon it would be able to pursue a similar
9 strategy for other wells, which would ultimately benefit
10 the State of New Mexico.

11 Is that essentially Titus' position on the
12 extent of the benefit to New Mexico of drilling into
13 Texas?

14 A. Yes, that's correct.

15 So if we are able to not only have this
16 well be approved but we do have future plans for multiple
17 future wells, that some of the wells and their economic
18 feasibility, they're not feasible apart from crossing --
19 having longer laterals. And in order to have longer
20 laterals, in this instance because we're up against the
21 state line we would need to drill into Texas.

22 So the State of New Mexico and how it sees
23 benefit is that you're basically opening up more
24 development than otherwise would be available, at least
25 from Titus' perspective.

1 A. I believe it's 10.

2 Q. How about 1 1/2?

3 A. 1 1/2 we are currently drilling our first
4 three-well pad of 1 1/2 milers.

5 Q. Do you remember the name of the well family?

6 A. Cattleman, C-a-t-t-l-e-m-a-n, one word.

7 Q. All right. Thank you. Let's see.

8 You testified that you spoke to a company
9 that had drilled from Ohio, and I think you said into West
10 Virginia. Is that right?

11 A. That's correct.

12 Q. When you started that sentence I missed the name
13 of the company. Could you say it again?

14 A. Yes. It's CNX.

15 Q. CNX?

16 A. Yes. I believe they are based in Pittsburgh,
17 but a quick Google search could help you figure out where
18 they are based.

19 Q. When did you talk to them?

20 A. It would have been last week.

21 Q. And when did they -- and how many wells did they
22 drill?

23 A. I'm not sure, to be honest. I was just looking
24 on a map. I believe it was maybe three to five wells. It
25 looked like one project, but as it was showing on the map

1 it was hard to differentiate exactly how many wells were
2 drilled versus permitted.

3 Q. When did they do this?

4 A. I believe that this was in 2017.

5 Q. Do you have the name of a contact at CNX? The
6 person you spoke with.

7 A. I do. Let me see if I could...

8 His name is --

9 Q. I will --

10 A. Sorry.

11 Q. Go ahead. Please go ahead.

12 A. All right. His name is Dan Bitz.

13 Q. Do you have a telephone number for him?

14 A. You know, I actually don't. I do have an email
15 that I can provide after the hearing, if you would like.

16 Q. That would be appreciated. You could provide it
17 to Ms. Shaheen, and she and I can speak. That would be
18 great. Thank you.

19 A. Okay.

20 Q. You said that the wells were drilled in Ohio
21 into West Virginia, but your testimony says West Virginia
22 and Pennsylvania. Which is it?

23 A. You know what, I may have misspoken.

24 I do believe that it was, the surface
25 locations were Pennsylvania and the bottomholes were West

1 Virginia. I know the bottomhole locations were West
2 Virginia.

3 It kind of -- if you look at a map, it --
4 the three states get -- it kind of sandwiches together,
5 and West Virginia kind of bisects Ohio and Pennsylvania.

6 So it's very close. I could look into
7 that, and when I provide you his contact information I
8 could more particularly describe those wells for you.

9 Q. Okay. And in paragraph 27 you say that upon
10 information and belief the states did not enter into an
11 MOU or other agreement.

12 That's based on Mr. Bitz' representation to
13 you and not on your own investigation; is that correct?

14 A. That's correct. I also spoke with another
15 representative, that has not done this but they were
16 looking into it in the Marcellus, and they were not aware
17 of any Memorandum of Understanding or any other agreement
18 between the states.

19 Q. Okay. Thank you.

20 Paragraph 24 you state that Titus
21 anticipates the states will confer after permits are
22 approved by each state to determine how authority or
23 regulatory compliance will be allocated.

24 Who for the State of New Mexico told you
25 that, or anything like that, that would allow you to

1 Something happens to Titus, bankruptcy, et cetera, do you
2 think it would be OCD's job to plug wells, or Texas?

3 A. Well, if something were to happen, I mean I
4 think we are bonded for that, so I believe, you know,
5 anything as far as plugging liability, that's something
6 that's addressed in other matters, or in other ways, as
7 being an operator in New Mexico.

8 So I do believe that we would fall under
9 that.

10 Q. Okay. I think one last question.

11 Mr. Hickey had said that if OXY doesn't
12 execute the JOA, these wells likely would not be drilled.
13 Is that due to economics?

14 A. This well -- I mean, he's our CEO, so he has
15 more of an economic high-level view.

16 This particular well, it's likely to be
17 drilled even if we had to stop at the state line, but the
18 larger, broader project, which could be upward of 40
19 wells, there could be half of those wells that are not
20 economically viable if we are not able to drill across the
21 state line.

22 Q. Are those 40 wells roughly the same area?

23 A. Yes, it's right here. It all includes this one
24 section in Texas, Section 25.

25 Q. What would stop the other wells from drilling

1 more north into New Mexico? Because Exhibit B-3, this
2 Section 20/21 -- and I can't see, 19 maybe -- they are
3 pretty much wide open according to these exhibits.
4 There's very little development there.

5 A. Sorry, sir. Could you repeat the question.

6 Q. What would stop those wells from just being
7 drilled more in New Mexico? Because you could drill a
8 two-and-a-half-mile in New Mexico, according to these
9 exhibits, because there's no development in those
10 sections, at all, north of this well.

11 A. So in the westernmost lane of Section 20 up to
12 the north there is an existing well, the Grevey well, that
13 actually has a terminus in the west half of the northwest
14 of Section 29, so it kind of cuts down through there.

15 And then as far as further development
16 moving east in Section 29 and 32 and Section 20, those
17 are -- this is part of the larger development plan for
18 Titus that has 1-1/2-milers, two additional
19 one-and-a-half-mile development lanes.

20 So, you know, we are trying to maximize
21 longer laterals. So this doesn't exist in a vacuum. It's
22 part of the larger development plan for us.

23 MR. GARCIA: I think that's all my questions.

24 Thank you.

25 THE WITNESS: Thank you.

1 what Mr. Jones has said here?

2 MS. SHAHEEN: I would just say that we would
3 like to avoid the chicken-and-the-egg problem here, we
4 believe that if we could get approval of the production
5 allocation, an Order approving that, subject to whatever
6 conditions are needed, that kind of helps us along with
7 the chicken-and-the-egg problem. So with that I'll stand
8 down.

9 EXAMINER BRANCARD: Thank you. Yes. I believe
10 the Texas ALJ did refer to the chicken-and-egg problem,
11 also.

12 So Mr. Ames, what is the OCD's perspective
13 on this and where we go with this, assuming we want to
14 move forward. Let's just assume that for discussion's
15 sake.

16 MR. AMES: Well, Mr. Hearing Examiner, we
17 appreciate the concern you've raised. I'm not going to
18 get into poultry here, but we have talked to the attorney
19 for the Texas Railroad Commission on the case. There was,
20 at least in the conference call we had a couple of weeks
21 ago, a general agreement that an MOU would be required in
22 order for us to move forward.

23 I wish we could share Mr. Jones' optimism
24 that such an agreement would be simple, but in discussion
25 with Texas counsel we've identified several topics that

1 would need to be addressed in an MOU in order for us to
2 move forward, including allocation, reporting, financial
3 assurance, permitting, environmental issues -- both air
4 and releases -- notice, inspection, plugging and
5 abandonment, and so forth.

6 So there is a number of issues that need to
7 be addressed. Texas and New Mexico, while neighbors and
8 share the -- neighbors and co-owners of the Basin at issue
9 here, have very different regulatory structures that need
10 to be regularized so that each state is comfortable
11 knowing that regardless where a well is drilled from one
12 state into the other that the state's various interests
13 are adequately protected.

14 So, like I said, I'm not going to comment
15 on chickens and eggs here. I can just state for the
16 record that at this point in time OCD believes that an MOU
17 will be required in order to move forward.

18 EXAMINER BRANCARD: So how would you like to
19 leave this case, then, today?

20 MR. AMES: I believe Ms. Shaheen has asked that
21 the case be taken under advisement, or if she didn't
22 actually say that, I imagine that would be what she would
23 request, and that would seem appropriate.

24 EXAMINER BRANCARD: Okay. Yeah.

25 Mr. Rankin, one last chance for you to

1 15th docket. I know it's a full docket, but I think what
2 we're talking about is a check-in here.

3 If in advance of that date, you know, the
4 parties can provide something in writing that just sort of
5 says, "Here we are, and we request to come back to you in
6 a month," or "We are ready to go," or whatever, that would
7 be helpful.

8 So we will set it up for a status
9 conference on July 15th in this case.

10 I'm leaving the record open because, you
11 know, there may be further evidence that comes that we
12 want to have in this record, particularly if it goes up to
13 the Commission.

14 Ms. Shaheen, any comments?

15 MS. SHAHEEN: No. I appreciate your time today.
16 I know it took more time than I anticipated, but it's
17 encouraging that we had the opportunity to present the
18 case today.

19 The only logistical question I would have
20 is: I'm assuming that I should be filing a motion for
21 continuance to that July 15th docket. Is that a fair
22 assumption?

23 HEARING EXAMINER BRANCARD: We will just
24 continue it. It's our decision to continue it.

25 MS. SHAHEEN: Great. Thank you.

1 STATE OF NEW MEXICO)
 2 : SS
 3 COUNTY OF TAOS)
 4

5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
 7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, June 17,
 8 2021, the proceedings in the above-captioned matter were
 9 taken before me; that I did report in stenographic
 10 shorthand the proceedings set forth herein, and the
 11 foregoing pages are a true and correct transcription to
 12 the best of my ability and control.

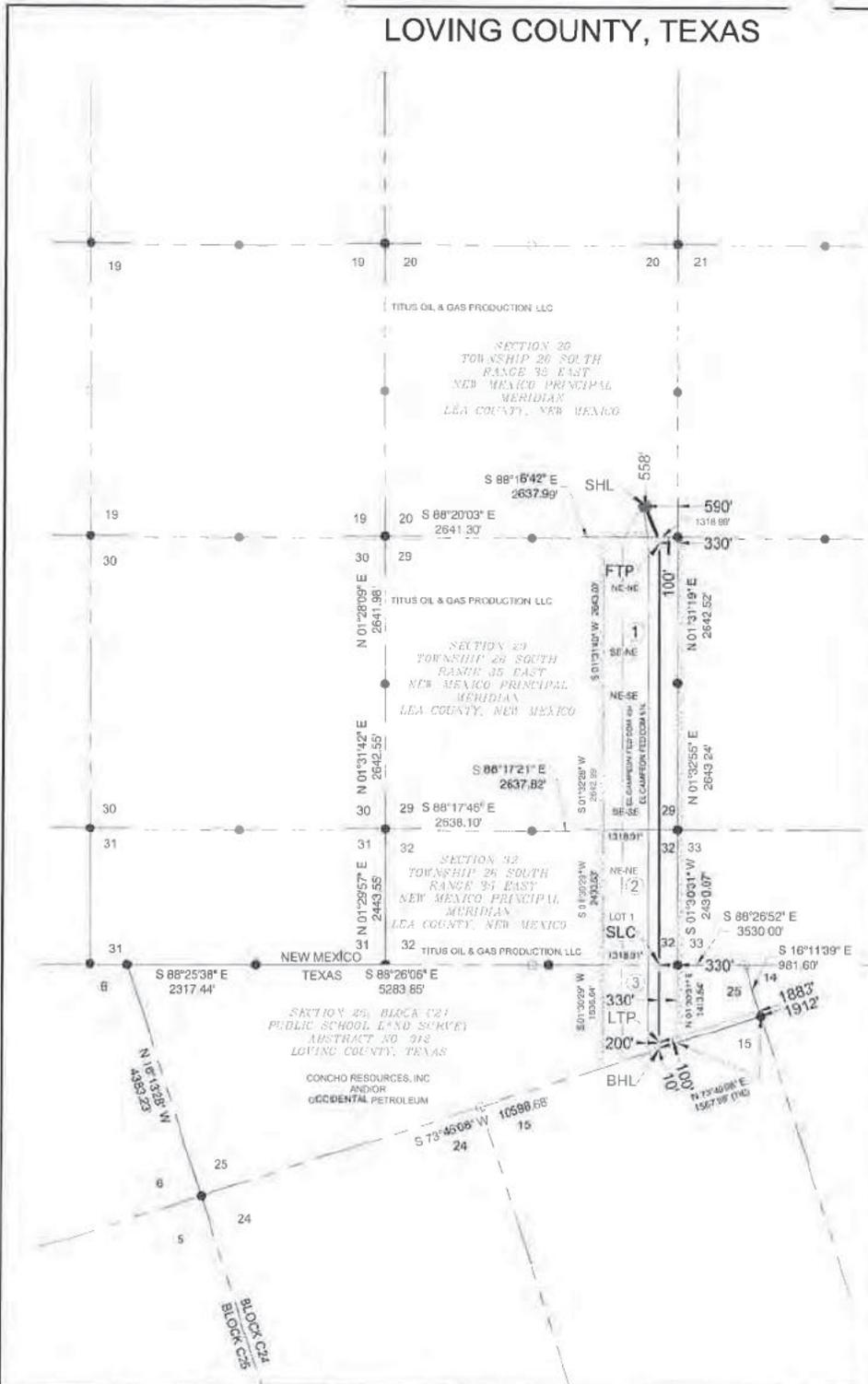
13 I FURTHER CERTIFY that I am neither employed by
 14 nor related to nor contracted with (unless excepted by the
 15 rules) any of the parties or attorneys in this case, and
 16 that I have no interest whatsoever in the final
 17 disposition of this case in any court.

18 /s/ Mary Macfarlane
 19 _____

20 MARY THERESE MACFARLANE, CCR
 21 NM Certified Court Reporter No. 122
 License Expires: 12/31/2021
 22
 23
 24
 25

EXHIBIT C

LOVING COUNTY, TEXAS



SURFACE HOLE LOCATION	
ELEVATION=	3172.14'
TEXAS CENTRAL - NAD 83	
NORTHING	10712513.96
EASTING	1351511.11
LATITUDE	32.02304100
LONGITUDE	-103.38281477
TEXAS CENTRAL - NAD 27	
NORTHING	869934.60
EASTING	1055048.78
LATITUDE	32.02291440°
LONGITUDE	-103.38235512°

FIRST TAKE POINT	
TEXAS CENTRAL - NAD 83	
NORTHING	10711848.40
EASTING	1351753.61
LATITUDE	32.02123058°
LONGITUDE	-103.38197385°
TEXAS CENTRAL - NAD 27	
NORTHING	869269.12
EASTING	1055291.25
LATITUDE	32.02110395°
LONGITUDE	-103.38151432°

STATE LINE CROSSING	
TEXAS CENTRAL - NAD 83	
NORTHING	10704234.31
EASTING	1351550.64
LATITUDE	32.00029489°
LONGITUDE	-103.35195530°
TEXAS CENTRAL - NAD 27	
NORTHING	861655.25
EASTING	1055087.96
LATITUDE	31.00016796°
LONGITUDE	-103.38148694°

LAST TAKE POINT	
TEXAS CENTRAL - NAD 83	
NORTHING	10702620.18
EASTING	1351512.95
LATITUDE	31.99640634°
LONGITUDE	-103.38195184
TEXAS CENTRAL - NAD 27	
NORTHING	860241.16
EASTING	1055050.24
LATITUDE	31.99627956°
LONGITUDE	-103.38149358°

BOTTOM HOLE LOCATION	
TEXAS CENTRAL - NAD 83	
NORTHING	10702725.21
EASTING	1351510.42
LATITUDE	31.99614521°
LONGITUDE	-103.38195160°
TEXAS CENTRAL - NAD 27	
NORTHING	860146.19
EASTING	1055047.71
LATITUDE	31.99601844°
LONGITUDE	-103.38149335°

LATERAL OFFSET	
SHL - 50' FEET - 50' FEET - SECTION 28	
FTP - 100' FEET - 100' FEET - SECTION 29	
SHL - 100' FEET - 100' FEET - SECTION 30	
LTP - 100' FEET - 100' FEET - SECTION 28	
LTP - 100' FEET - 100' FEET - LEASE	
BHL - 10' FEET - 10' FEET - SECTION 25	
BHL - 10' FEET - 10' FEET - LEASE	

CALLED ACRES TOTALS	
TRACT NO.	ACRES
1	100.00
2	73.64
3	49.39
TOTAL ACRES	223.03

EL CAMPEON FED COM 404H
WELL BORE SUMMARY
SHL TO FTP=S 20°01'12" E, 708.36'
FTP TO SLC=S 01°31'37" W, 7616.80'
SLC TO LTP=S 01°31'37" W, 1414.64'
LTP TO BHL=S 01°31'37" W, 95.01'

NOTES:
1. BEARINGS AND COORDINATES SHOWN HEREON ARE REFERENCED TO THE TEXAS COORDINATE SYSTEM OF 1983 CENTRAL ZONE 4200
2. LATITUDE & LONGITUDE ARE NAD 83 AND NAD 27 GEOGRAPHIC.
3. THIS IS AN EXHIBIT AND DOES NOT REPRESENT A TRUE BOUNDARY SURVEY. THIS SURVEY IS BASED ON OWNERSHIP AND EASEMENT INFORMATION PROVIDED BY TITUS OIL & GAS PRODUCTION, LLC. SURVEYOR DID NOT ABSTRACT SUBJECT TRACT AND THERE MAY BE EASEMENTS OR OTHER ENCUMBRANCES THAT AFFECT THE SUBJECT TRACT THAT ARE NOT SHOWN HEREON.

- LEGEND**
- DENOTES HORIZONTAL SURFACE LOCATION AND POINT OF PENETRATION
 - DENOTES FIRST TAKE POINT LOCATION LAST TAKE POINT LOCATION AND BOTTOM HOLE LOCATION & TERMINUS POINT
 - DENOTES BEARING CHANGE
 - DENOTES FOUND MONUMENT
 - DENOTES CALCULATED CORNER
 - DENOTES PRODUCING WELL
 - DENOTES PERMITTED WELL
 - DENOTES SECTION LINE
 - DENOTES PROPOSED LATERAL NEW MEXICO
 - DENOTES PROPOSED LATERAL TEXAS
 - DENOTES PROPOSED WELL PAD
 - DENOTES ABSTRACT LINE
 - DENOTES LEASE
 - DENOTES LEASE
 - DENOTES LEASE
 - DENOTES TRACT



THE SURFACE HOLE IS LOCATED APPROXIMATELY 20 MILES NORTHWEST OF KERAMIT, TEXAS

TITUS OIL & GAS PRODUCTION, LLC

WELL LOCATION PLAT
EL CAMPEON FED COM 404H
SITUATED IN
SECTION 20, TOWNSHIP 26 SOUTH, RANGE 35 EAST
NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
SECTION 29, TOWNSHIP 26 SOUTH, RANGE 35 EAST
NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
SECTION 32, TOWNSHIP 26 SOUTH, RANGE 35 EAST
NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
SECTION 25, BLOCK C24
PUBLIC SCHOOL LAND SURVEY912
LOVING COUNTY, TEXAS

TRACEL P&M 10103/01/1815	2123 S Great Southwest Parkway Suite 310	DRWN BY: JEB	DATE: 02/19/21	CHKD BY: GJS	DATE: 02/19/21	DWS NO. EL CAMPEON FED COM 404H RRC PERMIT PLAT REV.1	REV. 1
TRANS GLOBAL SERVICES LLC	Grand Prairie, TX 75051	SCALE: 1"=200'					
(817) 559-1100 - Fax (817) 559-1101							

21

EXHIBIT D

CHRISTI CRADDICK, *CHAIRMAN*
 WAYNE CHRISTIAN, *COMMISSIONER*
 JIM WRIGHT, *COMMISSIONER*



DANA AVANT LEWIS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

August 25, 2021

To: Service List

Re: **Oil and Gas Docket No. OG-21-00006089:** REQUEST BY TITUS OIL & GAS PRODUCTION, LLC (OPERATOR NO. 800622) TO CONTEST DRILLING PERMITS UNIT DENIAL OF ADMINISTRATIVE APPROVAL FOR THE EL CAMPEON FED COM LEASE, WELL NO. 404H, PHANTOM (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS; DISTRICT 08; **Final Order**

The Railroad Commission of Texas has acted upon the above-referenced case. Please refer to the attached Final Order for the terms and date of such action. The Final Order will not be final and effective until at least 25 days after the Commission's order is signed. If a Motion for Rehearing is timely filed, the Final Order will not be final and effective until such Motion is overruled. A Motion for Rehearing should state the reasons you believe a rehearing should be granted, including any errors that you believe exist in the Commission's Final Order. If the Motion is granted, the Final Order will be set aside and the case will be subject to further action by the Commission at that time or at a later date.

To be timely, a Motion for Rehearing must be received by the Commission's Docket Services no later than 5:00 p.m. on the 25th day after the date the decision or order that is the subject of the motion was signed to one of the following addresses:

Attn: Docket Services, Hearings Division Railroad Commission of Texas William B. Travis Building, Room 12-123 1701 North Congress Avenue Austin TX 78701	or	Attn: Docket Services, Hearings Division Railroad Commission of Texas PO Box 12967 Austin TX 78711-2967
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Fax or Email transmissions will not be accepted without prior approval from the Administrative Law Judge ("ALJ"). ORIGINAL PLUS TEN copies of the Motion for Rehearing shall be submitted to the ALJ. **PLEASE DO NOT STAPLE COPIES.** In addition, if practical, parties are requested to provide the ALJ with a copy of the Motion for Rehearing in digital format. The digital format should be labeled with the docket number, the title of the document, and the format of the document.

The Railroad Commission of Texas also has a public portal system, known as the **Case Administration Service Electronic System (CASES)** where electronic filings may be filed. You may upload your filing at the following link: <http://www.rrc.texas.gov/hearings/rrc-cases/>

More information and instructions on how to use the CASES system may be found at the following link:
https://rrctx.force.com/resource/1516708830000/CASES_Online_Portal_Training

Every pleading, plea, motion, or request filed with the Hearings Division shall conform to the requirements of 16 Tex. Admin. Code § 1.32 (Form and Content of Pleadings);

otherwise, it will not be accepted for filing by the Hearings Division. Every motion for rehearing filed with the Hearings Division MUST comply with 16 Tex. Admin. Code § 1.128 and must be served to all other parties indicated on the attached Service List in accordance with 16 Tex. Admin. Code § 1.45 (Service in Protested Contested Cases), either in person, by mail or courier, by fax, by e-mail with consent from the ALJ or the Hearings Division Director, or in another manner directed by the ALJ or the Hearings Division Director. At the time of filing, proof of service must include a certificate of service signed by a party or the party's attorney of record or signed and verified if the service is made by any other person. The certificate of service must be attached to the document filed with the Hearings Division.

Please refer to the commission website for more information at <http://www.rrc.texas.gov/general-counsel/rules/current-rules/>. You are responsible to serve all parties indicated on the service list. The Hearings Division will not serve ANY party for you.

Contact for Additional Information – In accordance with Tex. Gov't Code § 2001.061 and 16 Tex. Admin. Code § 1.7, ex parte communications with the Administrative Law Judges, Examiners, and Commissioners are prohibited. Any persons or entities desiring additional information may contact the Commission by writing to the Director, Hearings Division, Railroad Commission of Texas, 1701 North Congress Avenue, P. O. Box 12967, Capitol Station, Austin, Texas 78711-2967. Any persons or entities having clerical questions, such as questions regarding the number of copies of filings, the service list or reviewing the record, may contact **Megan Schimcek at (512) 463-6793 or megan.schimcek@rrc.texas.gov**.

Enclosures:
Service List
Final Order
HD Unprotested Master Order

Service List

Oil and Gas Docket No. OG-21-00006089: REQUEST BY TITUS OIL & GAS PRODUCTION, LLC (OPERATOR NO. 800622) TO CONTEST DRILLING PERMITS UNIT DENIAL OF ADMINISTRATIVE APPROVAL FOR THE EL CAMPEON FED COM LEASE, WELL NO. 404H, PHANTOM (WOLFCAMP) FIELD, LOVING COUNTY, TEXAS; DISTRICT 08

Via First-Class Mail and Email

George C. Neale
Attorney for Titus Oil & Gas
George C. Neale, Attorneys at Law
PO Box 1945
Austin TX 78767

New Mexico Taxation & Revenue Department
1100 South St. Francis Drive
Santa Fe, NM 87504

New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe NM 87501

Via First-Class Mail

Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, Texas 78711-3528

Via Email

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New Mexico Energy, Minerals and
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1220 South St. Francis Drive
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New Mexico Energy, Minerals and
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Via Intra-Agency Email

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Bureau of Land Management,
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301 Dinosaur Trail
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Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240-1157



Megan Schimcek, Hearings Division
Railroad Commission of Texas

16 TEX. ADMIN. CODE § 1.7 (Ex Parte Communications):

- (a) *Ex parte communications are prohibited in contested cases as provided in the APA and other applicable rules including the Texas Disciplinary Rules of Professional Conduct.*
- (b) *Each party shall provide all other parties with a copy of all documents submitted to an examiner.*
 - (1) *The attachment of a certificate of service stating that a document was served on a party creates a rebuttable presumption that the named party was provided a copy.*
 - (2) *Failure to provide a copy to all other parties may result in rejection and return of the document without consideration.*

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

Oil and Gas Docket No. OG-21-00006089

**REQUEST BY TITUS OIL & GAS PRODUCTION, LLC (OPERATOR NO. 800622) TO
CONTEST DRILLING PERMITS UNIT DENIAL OF ADMINISTRATIVE APPROVAL
FOR THE EL CAMPEON FED COM LEASE, WELL NO. 404H, PHANTOM
(WOLFCAMP) FIELD, LOVING COUNTY, TEXAS; DISTRICT 08**

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by an Administrative Law Judge Ezra A. Johnson and Technical Examiner Austin Gaskamp on April 13, 2021. The proceeding having been duly submitted to the Railroad Commission of Texas ("Commission") at conference held in its offices in Austin, Texas, the Commission makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. On February 22, 2021, Titus Oil & Gas Production, LLC ("Titus"), filed a Form W-1 ("Application") for the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field ("Field"), Loving County, Texas.
2. The minimum lease-line spacing applicable to the Field is 330 feet perpendicular to the path of a horizontal well and 100 feet from the first and last take point parallel to the path of a horizontal well.
3. Titus's Form P-5 is Active. Titus has a \$50,000 bond as its financial assurance.
4. On March 5, 2021, Staff with the Drilling Permits Department of the Commission ("Staff") informed the Hearings Division, that "Staff does not feel that this application can be administratively approved, and the applicant wishes the matter to go to hearing."
5. On March 23, 2021, the Hearings Division sent a Notice of Hearing ("Notice") to Titus, the Texas Comptroller of Public Accounts, the New Mexico State Land Office, the New Mexico Energy, Minerals and Natural Resources Department, the New Mexico Taxation and Revenue Department and the United States Bureau of Land Management, setting a hearing for April 13, 2021. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted.
6. The hearing was held on April 13, 2021, as noticed. Applicant appeared and participated at the hearing, along with Occidental Petroleum and Staff. No one appeared in protest.

Oil and Gas Docket No. OG-21-00006089
Final Order
Page 2 of 7

7. The off-lease surface location of the subject well is proposed to be located 558 feet from the south survey line and 590 feet from the east survey line of Section 20, T26S-R35 East, Lea County New Mexico.
8. The off-lease penetration point and first take point of the subject well in the proposed correlative interval will be located off lease 100 feet from the north survey line and 330 feet from the east survey line of Section 29 T26S-R35 East, Lea County New Mexico ("Section 29").
9. The last take point of the subject well in the proposed correlative interval will be located 100 feet from the south survey and lease line and 1,883 feet from the east survey and lease line in Section 25, Block C24, Public School Land Survey ("Texas Section 25").
10. The terminus of the subject well in the proposed correlative interval will be located 10 feet from the south survey and lease line and 1,912 feet from the east survey and lease line in Texas Section 25.
11. The United States Bureau of Land Management has authority to manage 100% of the mineral rights in and to Section 29.
12. The State of New Mexico holds 100% of the mineral rights in and to Section 32, T26S-R35 East, Lea County New Mexico ("Section 32").
13. Titus holds 100% ownership interest in contractual leasehold rights as to Section 29 and Section 32.
14. Pegasus Resources, LLC; Chisos Minerals, LLC and Fortis Minerals II, LLC, own 253 net royalty acres in Texas Section 25 and filed an amicus curiae in support of the Application.
15. Occidental Petroleum ("OXY") holds 100% ownership interest in contractual leasehold rights as to Texas Section 25.
16. Titus and OXY have entered into a joint operating agreement ("JOA") for the drilling and operation of the subject well in Texas Section 25. Titus is designated in the JOA as "Operator," and OXY is designated as "Non-Operator".
17. The standard for determining whether the operator is entitled to a permit is whether the operator has a "good faith claim" to operate.
18. A "good faith claim" is defined in Commission Statewide Rule (15)(a)(5) as "a factually supported claim based on a recognized legal theory to a continuing possessory right in the mineral estate, such as evidence of a currently valid oil and gas lease or a recorded deed conveying a fee interest in the mineral estate."
19. Titus provided evidence sufficient to show a factually supported claim to a continuing right to operate the subject well on Texas Section 25.

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20. Titus proposes to allocate production from the well based on either surface acreage assigned to the well or wellbore length within the acreage assigned.
21. The proposed alternatives for allocation of production from the subject well are reasonable.
22. Production from the subject well will be allocated on a basis mutually acceptable to public agencies having jurisdiction in Texas and New Mexico.
23. Titus requested an exception to Statewide Rule 37¹ in order to perforate the subject well within one foot of the north lease line, being the north boundary of Texas Section 25.
24. State Rule 37 requires and applicant seeking an exception to the minimum lease-line spacing requirement to file a list of the mailing addresses of all affected persons, who, for tracts closer to the well than the minimum lease-line spacing distance, include: (i) the designated operator; (ii) all lessees of record for tracts that have no designated operator; and (iii) all owners of record of unleased mineral interests.
25. OXY is the only affected person under Statewide Rule 37. OXY was not provided notice of the hearing but participated as an observer and later signed the JOA.
26. Texas Section 25 an irregular polygon (its West to East distance at its longest point is significantly longer than its North to South distance at its longest point). The northern Boundary of Texas Section 25 lies directly on the Texas-New Mexico state line.
27. All of the wells targeting the Wolfcamp Formation in the area of Texas Section 25 are drilled with horizontal laterals on a north/south axis.
28. Texas Section 25 runs about 4,200 feet in the longest portion of a north/south orientation.
29. Factoring in the required lease-line spacing minimums, it is not economical to drill a horizontal completion solely within Texas Section 25 on a north/south axis.
30. Lands adjacent to Texas Section 25 are leased to third parties and the acreage is assigned to existing horizontal wells permitted in the Field.
31. If the Application is not approved, available hydrocarbon reserves under Texas Section 25 may go unrecovered.
32. The subject well, as proposed, will promote orderly development of the field, prevent waste, and protect correlative rights.

¹ 16 Tex. Admin Code §3.37.

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33. The Applicant has waived the issuance of a Proposal for Decision and Examiners' Report in this docket.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice, or has been waived in writing by executing a joint operating agreement.
2. Resolution of this docket is a matter committed to the jurisdiction of the Commission. Tex. Gov't Code § 81.051.
3. Titus has a good faith claim to drill the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas.
4. The subject well, as proposed, will prevent waste and protect correlative rights.
5. The requested exception to Statewide Rule 37 is unprotested and should be granted pursuant to 16 Tex. Admin Code §3.37(h)(2).

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Titus Oil & Gas Production, LLC for a permit and exception to Statewide Rule 37 to drill the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas is hereby **APPROVED**, subject to the conditions identified below, at the following location:

- **Surface Location:** (Off lease) 558 feet from the south survey line and 590 feet from the east survey line of Section 20, T26S-R35 East, Lea County New Mexico.
- **Penetration Point Location:** (Off lease) 100 feet from the north survey line and 330 feet from the east survey line of Section 29 T26S-R35 East, Lea County New Mexico.
- **Terminus Location:** 10 feet from the south survey and lease line and 1,912 feet from the east survey and lease line in Section 25, Bock C24, Public School Land Survey, Loving County, Texas.

As shown on Attachment A attached to this order.

CONDITIONS

The following conditions are subject to change upon further consultation with the relevant public agencies having jurisdiction over drilling, operating, and producing the subject well.

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas

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- stating the depth to which water needs protection. Write: Railroad Commission of Texas, Groundwater Advisory Unit (GAU), P.O. Box 12967, Austin, Texas 78711-3087. File a copy of the letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
 3. **Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the docket number.
 4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
 5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
 6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
 7. **Notification of Plugging a Dry Hole.** The operator MUST call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification MUST be able to advise the district office of the docket number and all water protection depths for that location as stated in the Texas Commission On Environmental Quality letter.
 8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie

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evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.

9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final unless actual drilling operations have begun. The permit period will not be extended.
10. **Acreage Designation.** The applicable sections of Form P-16 (relating to Acreage Designation) will capture only acreage that is being assigned to the well from tracts in Texas. The total acreage being assigned to the well from New Mexico tracts and Texas tracts will be provided in the "Remarks" section of P-16.

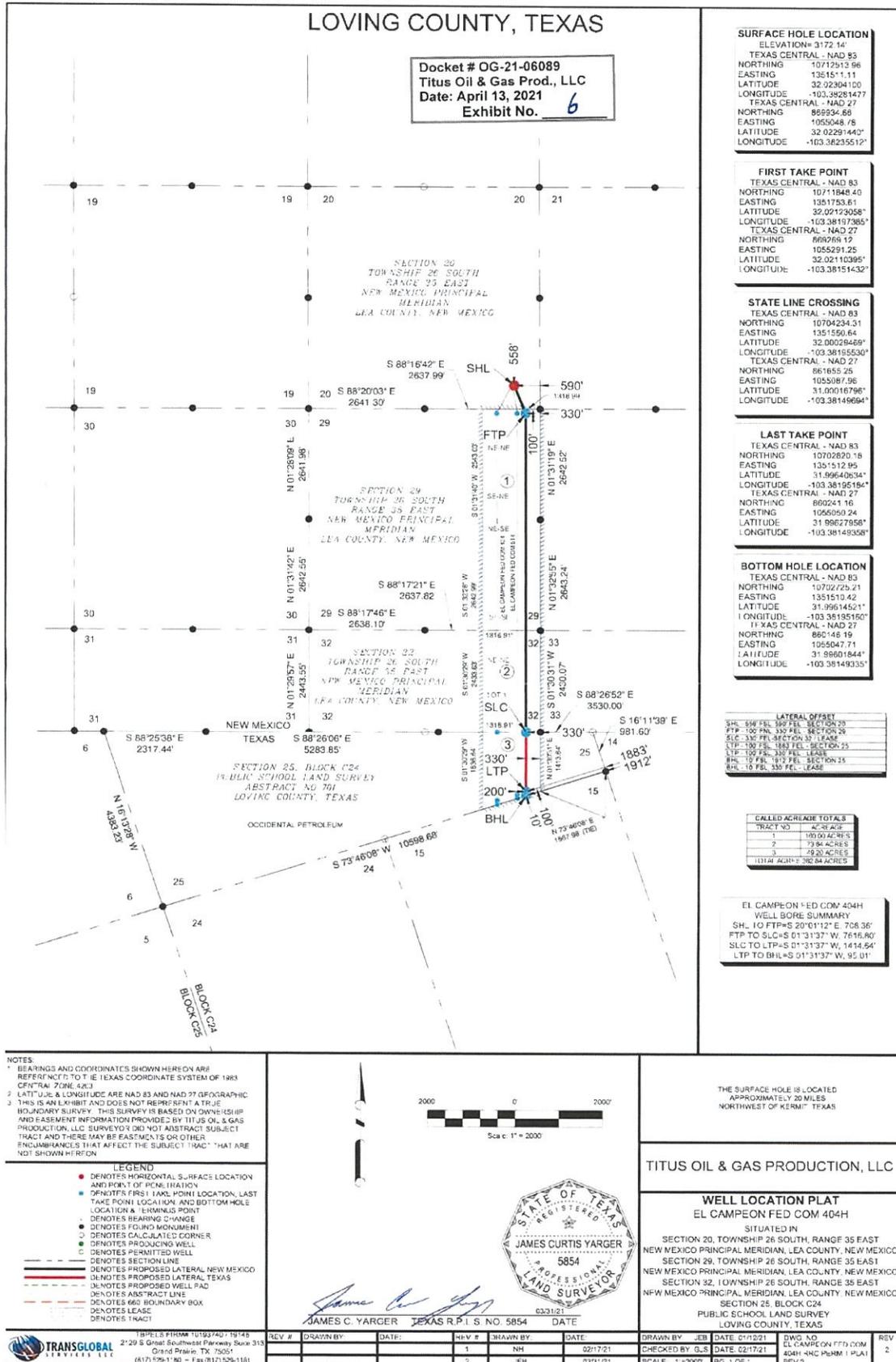
It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code § 2001.142, by agreement under Tex. Gov't Code § 2001.147, or by written Commission order issued pursuant to Tex. Gov't Code § 2001.146(e). If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 100 days from the date the parties are notified of this order in accordance with Tex. Gov't Code § 2001.144.

Signed August 24, 2021.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated August 24, 2021)**

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Attachment A



**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

HEARINGS DIVISION'S UNPROTESTED MASTER ORDER

August 24, 2021

At a public conference held at its offices in Austin, Texas, the Commission finds that after statutory notice, the below referenced proceedings were heard by the examiners and that no party appeared in protest to the requested relief. The Final Orders for each of the below referenced dockets are incorporated by reference into this order, and by signing this Master Order, the Commission approves each of the Final Orders and adopts the provisions contained therein.

ITEM NO.	DOCKET NO.	APPLICANT	LEASE, WELL, OR SITE	ORDER TERMS
<u>Amend Field Rules:</u>				
8.	OG-21-00005149 John Moore Kristi M. Reeve	Assent Energy Partners, LLC (Operator No. 035486)	Short Grass Prairie (Cong) Field, Hardeman County, Texas; District 09.	Approve the application.
<u>Statewide Rule 32:</u>				
9.	OG-20-00004502 Ashley Correll Ezra A. Johnson	Verdugo-Pablo Energy, LLC (Operator No. 884574)	Connie West (71078) Lease, Vito (71072) Lease, Platang (San Andres) Field, Yoakum County, Texas; District 8A.	Grant the Exception to SWR 32.
10.	OG-21-00005539 Tariq Ali Jennifer Cook	U.S. Energy Development Corp. (Operator No. 875462)	Monte Lenoso B Pad (19738) Lease, Briscoe Ranch (Eagleford) Field, Frio County, Texas; District 01.	Grant Exception to SWR 32.
11. 12. 13. 15. 15.	OG-20-00005394 OG-20-00005395 OG-20-00005396 OG-20-00005397 OG-20-00005398 Tariq Ali Jennifer Cook	Tall City Operations III LLC (Operator No. 835518)	Various Leases, Various Wells, Hoefs T-K (Wolfcamp) Field, Phantom (Wolfcamp) Field, Reeves County, Texas; District 08.	Grant Exception to SWR 32.
16.	OG-20-00004950 John Moore Jennifer Cook	XTO Energy Inc. (Operator No. (945936)	University Blk 20/21 CTB, Commingle Permit 08-6786, Two Georges (Bone Spring) Field, Winkler County, Texas; District 08.	Grant Exception to SWR 32.
17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33.	OG-20-00002543 OG-20-00002549 OG-20-00002878 OG-20-00002879 OG-20-00002882 OG-20-00002884 OG-20-00002885 OG-20-00002893 OG-20-00002894 OG-20-00002895 OG-20-00002896 OG-20-00002897 OG-20-00002898 OG-20-00002899 OG-20-00002900 OG-20-00002901 OG-20-00002902	Exco Operating Company, LP (Operator No. 256915)	Various Leases, Various Wells, Briscoe Ranch (Eagleford) Field, Dimmit and Zavala Counties, Texas; District 01.	Grant Exception to SWR 32.

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**HEARINGS DIVISION'S UNPROTESTED MASTER ORDER
August 24, 2021 CONFERENCE
PAGE 2**

ITEM NO.	DOCKET NO.	APPLICANT	LEASE, WELL, OR SITE	ORDER TERMS
<u>Statewide Rule 32 (Continued):</u>				
34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67.	OG-20-00002903 OG-20-00002904 OG-20-00002905 OG-20-00002906 OG-20-00002907 OG-20-00002908 OG-20-00002909 OG-20-00002910 OG-20-00002911 OG-20-00002912 OG-20-00002913 OG-20-00002914 OG-20-00002915 OG-20-00002916 OG-20-00002917 OG-20-00002920 OG-20-00002921 OG-20-00002922 OG-20-00002923 OG-20-00002924 OG-20-00002925 OG-20-00002926 OG-20-00002927 OG-20-00002928 OG-20-00002929 OG-20-00002930 OG-20-00002931 OG-20-00002932 OG-20-00002933 OG-20-00002934 OG-20-00002935 OG-20-00002936 OG-20-00002937 OG-20-00003312 John Moore Jennifer Cook	Exco Operating Company, LP (Operator No. 256915) - Continued	Various Leases, Various Wells, Briscoe Ranch (Eagleford) Field, Dimmit and Zavala Counties, Texas; District 01.	Grant Exception to SWR 32.
68.	OG-20-00004861 Petar Buva Kristi M. Reeve	ER Operating Company (Operator No. 238075)	Googins 249 (71606) Lease, Platang (San Andres) Field, Yoakum County, Texas; District 8A.	Grant Exception to SWR 32.
<u>Statewide Rule 36 and 46:</u>				
69.	OG-21-00005811 Austin Gaskamp Kristi M. Reeve	James Lake Midstream LLC (Operator No. 429665)	James Lake Injection (45572) Lease, Well No. 1, Goldsmith (Ellenburger) Field, Ector County, Texas; District 08.	Find that James Lake Midstream, LLC has met the requirements of Statewide Rule 36 and remand the application for administrative consideration.
<u>Statewide Rule 95:</u>				
70.	OG-21-00005946 Austin Gaskamp Ezra A. Johnson	Windland Energy, LLC (Operator No. 931601)	Notrees Storage Unit Lease, Well Nos. 1, 2, and 3, Salado (Storage) Field, Ector County, Texas; District 08.	Approve the Application.

HEARINGS DIVISION'S UNPROTESTED MASTER ORDER
August 24, 2021 CONFERENCE
PAGE 3

ITEM NO.	DOCKET NO.	APPLICANT	LEASE, WELL, OR SITE	ORDER TERMS
<u>Unitization and Secondary Recovery Authority:</u>				
71.	OG-20-00005461 John Moore Ezra A. Johnson	Prasad, Hari Production Co. (Operator No. 675948)	Fullerton East Glorieta Clearfork Unit Lease, Fullerton Field, Andrews County, Texas; District 08.	Approve the Application.
<u>Miscellaneous:</u>				
72.	OG-21-00006089 Ezra A. Johnson Austin Gaskamp	Titus Oil & Gas Production, LLC (Operator No. 800622)	El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas; District 08.	Approve the Application.
<u>Single Signature P-4 Applications (SP4):</u>				
73.	OG-21-00006695 Kristi M. Reeve	Tesuque Oil & Gas LLC (Operator No. 844127)	Mireles, Johnnie (02996) Lease, Well No. 1, Minerva-Rockdale Field, Milam County, Texas; District 01.	Approve change of Operator from Price Operating, LLC (Operator No. 676856) to Tesuque Oil & Gas LLC.
74.	OG-21-00006856 Kristi M. Reeve	Tower Resources Inc. (Operator No. 862857)	Garrison, E.V. et al (11848) Lease, Well Nos. 2608, 2609, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2627, 2628, 2629, 2630, 2631, 2632, 2633, and 2634, Slocum Field, Anderson County, Texas.; District 06.	Approve change of Operator from Leverage Operating, LLC (Operator No. 498751) to Tower Resources Inc.
75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85.	OG-21-00006532 OG-21-00006533 OG-21-00006534 OG-21-00006550 OG-21-00006551 OG-21-00006552 OG-21-00006553 OG-21-00006554 OG-21-00006556 OG-21-00006557 OG-21-00006558 Ezra A. Johnson	Tall Dune Resources, LLC (Operator No. 835525)	Various Leases, Various Wells, Conger (Penn) Field, South (Fusselman) Field, Sterling County, Texas; District 08.	Approve change of operator from Siana Oil & Gas (Operator No. 779259) to Tall Dune Resources, LLC.
86.	OG-21-00006655 Ezra A. Johnson	Cinron Energy, LLC (Operator No. 153512)	Robinson, I. E. (03160) Lease, Well No. 1 T, Coke (Robinson) Field, Wood County, Texas; District 06.	Approve change of operator from Simples Oil International, LLC (Operator No. 784116) to Cinron Energy, LLC.

**HEARINGS DIVISION'S UNPROTESTED MASTER ORDER
August 24, 2021 CONFERENCE
PAGE 4**

IT IS ORDERED that term of each individual Final Order referenced herein shall become effective when this master order is signed. A copy of this Order shall be affixed to each individual Final Order.

Signed on August 24, 2021.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:

Christi Craddick

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CHAIRMAN CHRISTI CRADDICK

DocuSigned by:

Wayne Christian

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COMMISSIONER WAYNE CHRISTIAN

DocuSigned by:

Jim Wright

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COMMISSIONER JIM WRIGHT

ATTEST:

DocuSigned by:

Callie Farrar

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SECRETARY

